EXCHANGE AGREEMENT

among

IBI INCOME FUND

- and -

IBI HOLDING TRUST

- and -

IBI GROUP L.P.

- and –

IBI GROUP

- and -

IBI GROUP MANAGEMENT PARTNERSHIP

- and -

IBI GENERAL PARTNER TRUST

- and -

OTHER HOLDERS FROM TIME TO TIME OF EXCHANGEABLE PARTNERSHIP UNITS

August 31, 2004

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EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT is made as of the 31st day of August, 2004

AMONG:

IBI INCOME FUND, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario (the "**Fund**")

OF THE FIRST PART

- and -

IBI HOLDING TRUST, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario (the "**Holding Trust**")

OF THE SECOND PART

- and -

IBI GROUP L.P., a limited partnership established under the laws of the Province of Manitoba ("**IBI LP**")

OF THE THIRD PART

- and –

IBI GROUP, a general partnership established under the laws of the Province of Ontario ("**IBI Group**")

OF THE FOURTH PART

- and -

IBI GROUP MANAGEMENT PARTNERSHIP, a limited partnership established under the laws of the Province of Ontario (the "**Management Partnership**")

OF THE FIFTH PART

- and -

IBI GENERAL PARTNER TRUST, an unincorporated, limited purpose trust established under the laws of the Province of Ontario (the "**General Partner**")

OF THE SIXTH PART

- and -

Other holders from time to time of Exchangeable Partnership Units (as defined herein).

WHEREAS pursuant to the asset purchase agreement made as of the 31st day of August, 2004 among the Management Partnership, IBI Group, the Fund, the Holding Trust and IBI LP, IBI Group has acquired direct ownership of certain assets from the Management Partnership in consideration for a total purchase price of $85,850,093, payable by the issuance to the Management Partnership of 5,025,778 Class B Units and the transfer to the Management Partnership by the Partnership of 5,025,778 Non-Participating Voting Units;

AND WHEREAS the parties wish to provide certain holders, from time to time, of Class B Units which are exchangeable for Fund Units with the right to exchange such Exchangeable Partnership Units for Fund Units;

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements herein contained, sufficiency of which is hereby acknowledged by each of the parties to this agreement the parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement, the following terms have the following meanings:

"**affiliated entity**" shall have the meaning ascribed thereto in Rule 45-501- Exempt Distributions of the Ontario Securities Commission as it is constituted as of the date of this Agreement;

"**Applicable Number**" has the meaning ascribed thereto in Section 2.2;

"**associate**" shall have the meaning ascribed thereto in the *Securities Act* (Ontario) as it is constituted as of the date of this Agreement;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the city of Toronto, Ontario for the transaction of banking business;

"**Class A Units**" means the Class A ordinary partnership units of IBI Group;

"**Class B Units**" means the Class B subordinated partnership units of IBI Group;

"**Conversion Date**" means the first date on which the Trustees approve audited consolidated financial statements for a fiscal year of the Fund commencing with the fiscal year ending December 31, 2006 in which (i) average monthly distributions have been paid or are payable on each of the Fund Units in an amount which is not less than $0.09375 per Fund Unit (on a diluted basis, including the exchange of the Class B Units) (provided that if there is a Unit Reorganization relating to Fund Units, the threshold distribution of $0.09375 per Fund Unit shall be adjusted up or down accordingly), and (ii) the Fund earned EBITDA of not less than $14.242 million;

“**Current Market Price**” means, in respect of a Fund Unit on any date, the weighted average price at which the Fund Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date, where “weighted average price” means, for any period, the amount obtained by dividing the aggregate sale price of all of the Fund Units traded on the relevant Stock Exchange during such period divided by the total number of Fund Units so traded, provided that if the Fund Units are not listed on any Stock Exchange, the Current Market Price of a Fund Unit is the value of a Fund Unit as determined in good faith by the Trustees whose determination shall be conclusive;

“**Declaration of Trust**” means the amended and restated declaration of trust made as of the 31st day of August, 2004 pursuant to which the Fund is governed, as the same may be amended or restated from time to time;

“**Exchange Notice**” means an exchange notice in the form attached hereto as Schedule “A”;

“**Exchange Right**” has the meaning given to that term in Section 2.1;

“**Exchangeable Partnership Units**” means the Class B Units issued to the Management Partnership pursuant to the Purchase Agreement (and any Class B Units issued in exchange therefor pursuant to the partnership agreement of IBI Group), together with any additional Class B Units issued to the Management Partnership as a result of the underwriters of the initial public offering of Fund Units pursuant to the final prospectus of the Fund dated August 24, 2004 not exercising in the full over-allotment option granted to them in connection with such offering;

“**Exchangeable Unitholders**” means holders of Exchangeable Partnership Units from time to time;

“**Fund**” means IBI Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario and governed by the Fund Declaration of Trust;

“**Fund Units**” mean the trust units of the Fund, other than the Non-Participating Voting Units;

“**General Partner**” means the general partner of the Partnership, currently IBI General Partner Trust, and any Person who is admitted to the Partnership as a successor to or permitted assign of the General Partner;

“**General Partner Trustee**” means IBI GP Limited, a corporation incorporated under the laws of Canada to be the trustee of the General Partner;

“**Governmental Authority**” means a court or governmental authority, ministry, department, commission, board, bureau, agency or instrumentality of Canada, or of any province, state, territory, country, municipality, region or other political jurisdiction whether domestic or foreign and whether now or in the future constituted or existing having or purporting to have jurisdiction over the business conducted by any of the Parties;

"**Holding Trust**" means IBI Holding Trust, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario and governed by the Holding Trust Declaration of Trust;

"**Holding Trust Notes**" means the notes of the Holding Trust issued pursuant to the Note Indenture, including the Series 1 Notes;

"**Holding Trust Declaration of Trust**" means the declaration of trust made as of the 24th day of August, 2004 pursuant to which the Holding Trust is governed, as the same may be amended or restated from time to time;

"**Holding Trust Trustees**" means, at any time, the individuals who are, in accordance with the Holding Trust Declaration of Trust, the trustees of the Holding Trust at such time;

"**Holding Trust Units**" means the trust units of the Holding Trust;

"**IBI Group**" means IBI Group, a general partnership established under the laws of the Province of Ontario;

"**IBI Group US**" means IBI Group, a general partnership established under the laws of the State of California;

"**IBI LP**" means IBI Group L.P., a limited partnership established under the laws of the Province of Manitoba;

"**LP Units**" means the LP Units of IBI LP;

"**Management Partnership**" means IBI Group Management Partnership, a limited partnership established under the laws of the Province of Ontario, formerly IBI Group;

"**Non-Participating Voting Units**" means the units of the Fund issued to represent voting rights in the Fund that accompany securities convertible into or exchangeable for Fund Units;

"**Note Indenture**" means the note indenture made as of the 31st day of August, 2004 between the Holding Trust and CIBC Mellon Trust Company providing for the issuance of the Holding Trust Notes;

"**Notice Date**" has the meaning given to that term in Section 2.1;

"**Ontario Subco**" means 1626699 Ontario Limited, a corporation incorporated under the laws of the Province of Ontario;

"**Parties**" means the Fund, the Holding Trust, IBI LP, IBI Group, the Management Partnership and the General Partner and the other holders from time to time of Exchangeable Partnership Units, and their respective successors and permitted assigns, and "**Party**" means any one of them;

"**Person**" means and includes any individual, corporation, limited partnership, general partnership, joint stock company, limited liability corporation, joint venture, association, company, trust, bank, trust company, pension fund, business trust or other organization, whether or not a legal entity, and any Governmental Authority;

"**Series 1 Notes**" means the Series 1 unsecured subordinated demand notes of the Holding Trust issued under the Note Indenture;

"**Stock Exchange**" means a stock exchange recognized by the Ontario Securities Commission, and where the Fund Units have traded on more than one Stock Exchange during the relevant period, "**Stock Exchange**" shall mean the Stock Exchange where the greatest volume of Fund Units traded during the relevant period;

"**subsidiary entity**" shall have the meaning ascribed thereto in Rule 45-501- Exempt Distributions of the Ontario Securities Commission as it is constituted as of the date of this Agreement;

"**Tax Act**" means the *Income Tax Act* (Canada) and regulations under that act;

"**Trustees**" means, at any time, the individuals who are, in accordance with the Declaration of Trust, the trustees of the Fund at such time;

"**Unitholders**" means at any time the holders at that time of one or more Units, as shown on the register of such holders maintained by the Fund; and

"**Units**" means the Fund Units and the Non-Participating Voting Units;

"**Unit Reorganization**" has the meaning given to that term in Section 2.3; and

"**US Subco"** means IBI Subco Inc., corporation incorporated under the laws of the State of Delaware.

1.2 Interpretation Not Affected by Headings, etc.

The division of this agreement into Articles, sections and other portions and the insertion of headings are for convenience of reference only and should not affect the construction or interpretation of this agreement. Unless otherwise indicated, all references to an "Article" or "section" followed by a number and/or a letter refer to the specified Article or section of this agreement. The terms "this agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this agreement and not to any particular Article, section or other portion of this agreement and include any agreement or instrument supplementary or ancillary to this agreement.

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa. Words importing gender shall include all genders. Where the word "including" or "includes" is used in this Agreement it means "including without limitation" or "includes without limitation", respectively. Any reference to any document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under such document.

1.4 **Funds**

All dollar amounts referred to in this Agreement are in lawful money of Canada.

1.5 **Acts of the Fund, the Holding Trust, the General Partner, the Trustees, the Holding Trust Trustees and the General Partner Trustee and General Limitation of Liability**

(a) Where any reference is made herein to an act to be performed by, for or on behalf of the Fund, the Holding Trust or the General Partner, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by, for or on behalf of the Trustees, the Holding Trust Trustees or the General Partner Trustee, in their capacity as trustees of the Fund, the Holding Trust or the General Partner, as the case may be, and where any reference is made herein to an act to be performed by, for or on behalf of the Trustees, the Holding Trust Trustees or the General Partner Trustee, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by, for or on behalf of the Trustees, the Holding Trust Trustees or the General Partner Trustee in their capacity as trustees of the Fund, the Holding Trust and the General Partner, respectively.

(b) The Parties hereto acknowledge that the Trustees, the Holding Trust Trustees and the General Partner Trustee are entering into this Agreement solely in their capacity as trustees, on behalf of the Fund, the Holding Trust and the General Partner, respectively, and the obligations of the Fund, the Holding Trust and/or the General Partner hereunder shall not be personally binding upon the Trustees, the Holding Trust Trustees, the General Partner Trustee, any of the Unitholders, any of the holders of Holding Trust Units, any beneficiary of the General Partner or any annuitant under a registered retirement savings plan, registered retirement income fund or deferred profit sharing plan of which a Unitholder, holder of Holding Trust Units or any beneficiary of the General Partner acts as trustee or carrier ("annuitant") and that any recourse against the Fund, the Holding Trust, the General Partner, the Trustees, the Holding Trust Trustees, the General Partner Trustee, any Unitholder, any holder of Holding Trust Units, any beneficiary of the General Partner or any annuitant in any manner in respect of any indebtedness, obligation or liability of the Fund, the Holding Trust and/or the General Partner arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the assets of the Fund, the assets of the Holding Trust or the assets of the General Partner, as the case may be.

(c) IBI LP is a limited partnership formed under the laws of the Province of Manitoba, a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital and the limited partner's *pro rata* share of any undistributed income.

(d) The Management Partnership is a limited partnership formed under the laws of the Province of Ontario, a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital and the limited partner's *pro rata* share of any undistributed income.

1.6 **Date for any Action**

If any date on which any action is required to be taken under this agreement is not a Business Day, the action will be required to be taken on the next succeeding Business Day.

1.7 **Withholding Rights**

The Fund and the Holding Trust shall be entitled to deduct and withhold from any consideration otherwise payable under this Agreement to any holder of Exchangeable Partnership Units such amounts as the Fund or the Holding Trust is required or permitted to deduct and withhold with respect to such payment under the Tax Act or any provision of provincial, state, local or foreign tax law, in each case as amended or superseded, or would be permitted to withhold if an equal amount were remitted to the appropriate taxing authority. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts (or equivalent amounts, if applicable) are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted or which would be permitted to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, the Fund and the Holding Trust are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to the Fund or the Holding Trust, as the case may be, to enable it to comply with such deduction or withholding requirement and the Fund or the Holding Trust shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale.

1.8 **Schedules**

The following is the Schedule to this Agreement.

Schedule A – Form of Exchange Notice

ARTICLE 2
EXCHANGE RIGHT

2.1 **Grant of the Exchange Right**

Subject to Section 2.4, the Fund, together with the other Parties hereto, hereby grants to each Exchangeable Unitholder the right (the "**Exchange Right**") to require the Fund, the

Holding Trust, IBI LP and IBI Group (in accordance with the procedure set out in Section 2.5) to exchange all or any part of the Exchangeable Partnership Units held by such Exchangeable Unitholder into Fund Units in accordance with the provisions of this agreement. The Exchange Right shall be exercisable on or after the Conversion Date once in every calendar quarter by giving the notice provided for in Section 2.5(a) on the date (the "**Notice Date**") which is ten days following the release of quarterly or annual financial information of the Fund, provided that if annual financial information for the Fund is released on a date such that the Notice Date immediately following such release is after the end of the first calendar quarter, the exercise of the Exchange Right on that Notice Date shall be deemed to have occurred in the first calendar quarter of that year, and further provided that a maximum of 5% of the total outstanding Fund Units outstanding on any given Exchange Date may be issued on the exercise of the Exchange Right on that Exchange Date. Notwithstanding the foregoing, if a non-exempt take-over bid from a Person acting at arm's length to the Management Partnership (or any affiliated entity or associate thereof) is made for the Fund Units and a contemporaneous identical offer is not made for the Exchangeable Partnership Units (in terms of the price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for the Exchangeable Partnership Units may be conditional on Fund Units being taken up and paid for under the take-over bid), then, notwithstanding the time periods specified in the preceding sentence, the Exchange Right shall become immediately exercisable in respect of Class B Units on the date that the Fund Units may be first taken up pursuant to such bid. The Fund, the Holding Trust, IBI LP and IBI Group hereby acknowledge receipt from such Exchangeable Unitholders of good and valuable consideration (and the adequacy of the consideration) for the grant of the Exchange Right hereunder. For greater certainty, the Exchange Right as it applies to an Exchangeable Partnership Unit shall enure to each transferee in respect of any Exchangeable Partnership Unit transferred from time to time.

2.2 **Applicable Number**

Subject to Section 2.3, the number (the "**Applicable Number**") of Fund Units issuable for each Exchangeable Partnership Unit exchanged pursuant to the exercise of the Exchange Right from time to time is one.

2.3 **Adjustment to Applicable Number**

(a) In the event that there is a change in the number of Exchangeable Partnership Units or the number of Fund Units outstanding from time to time as a result of a subdivision, consolidation, reclassification, capital reorganization or similar change in the Exchangeable Partnership Units or Fund Units (other than a consolidation as contemplated by Section 3.6 of the Declaration of Trust (a "**Unit Reorganization**"), the Applicable Number shall be adjusted to be the number of Fund Units that would be received in respect of one Exchangeable Partnership Unit immediately following the Unit Reorganization if the Exchange Right had been exercised in respect of one Exchangeable Partnership Unit immediately before the Unit Reorganization.

(b) Pursuant to the Declaration of Trust, if a non-exempt take-over bid from a Person acting at arm's-length to the Management Partnership (or any affiliated entity or associate thereof) is made for the Fund Units and a contemporaneous identical offer is not made for the Exchangeable Partnership Units (in terms of the price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for the Exchangeable Partnership Units may be conditional upon Fund Units being taken up and paid for under the take-over bid) (all as more particularly specified in the Declaration of Trust), provided that (i) not less than 25% of the Fund Units (other than Fund Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliated entities of the offeror) are taken-up and paid for pursuant to the non-exempt take-over bid from and after the date of first take-up of Fund Units under the said take-over bid in excess of the foregoing threshold, and (ii) the take-over bid is not for any and all Fund Units tendered or is not structured such that the holders of the Exchangeable Partnership Units can exchange into Fund Units conditional on take-up, then the Applicable Number shall be increased to 110% of the Applicable Number previously in effect. For greater certainty it is acknowledged and agreed that no adjustment to the Applicable Number pursuant to this subsection 2.3(b) shall affect the distribution entitlements of the Exchangeable Partnership Units (until such Exchangeable Partnership Units are duly exchanged at such adjusted Applicable Number).

(c) The adjustments provided for in Subsections 2.3(a) and (b) shall be cumulative.

2.4 **Restrictions**

Notwithstanding Section 2.1, the Exchange Right shall only be exercisable at any time if the exchange would not jeopardize the Fund's status as a "unit trust" or "mutual fund trust" under the Tax Act and will not result in the Units being considered "foreign property" for the purposes of the Tax Act.

2.5 **Exchange Procedure**

Upon the exercise of an Exchange Right, the exchange shall be effected as follows:

(a) in order to effect the exchange of Exchangeable Partnership Units for Fund Units pursuant to this Agreement, an Exchangeable Unitholder shall deliver to the General Partner in escrow, as escrow agent for the Parties, on any Notice Date certificates representing the Exchangeable Partnership Units being exchanged, duly endorsed in blank for transfer, together with a duly completed and executed Exchange Notice, whereupon the General Partner will deliver a copy of such Exchange Notice to the Holding Trust, the Fund, IBI LP and IBI Group;

(b) upon receipt of a copy of an Exchange Notice from the General Partner (or from the Exchangeable Unitholder who issued such Exchange Notice, if the General Partner fails to effect such delivery), the Holding Trust will forthwith issue and deliver to the Fund for each Exchangeable Partnership Unit being exchanged a combination of Holding Trust Units and Series 1 Notes having an aggregate value equal to the Current Market Price of the Applicable Number of Fund Units (with the relative amount of Holding Trust Units and Series 1 Notes being determined by the Holding Trust Trustees by notice in writing to the Fund within three Business Days of the Holding Trust receiving a copy of the Exchange Notice as aforesaid). Upon receipt of such Holding Trust Units and Series 1 Notes, the Fund will forthwith issue and deliver to the Holding Trust the Applicable Number of Fund Units for each Exchangeable Partnership Unit being exchanged as specified in the Exchange Notice;

(c) the Holding Trust will transfer to the General Partner, as escrow agent for the Parties, the Fund Units acquired pursuant to Subsection 2.5(b);

(d) Upon receipt of such Fund Units, the Holding Trust will forthwith contribute to IBI LP its interest in 99% of the Fund Units which are being held by the General Partner as escrow agent pursuant to Subsection 2.5(c) and will forthwith contribute to the General Partner its interest in the remaining 1% of such Fund Units which the General Partner will then immediately contribute to IBI LP;

(e) IBI LP will immediately following the transactions referred to in Section 2.5(d) acquire a number of Class A Units equivalent to the number of Exchangeable Partnership Units being exchanged and will satisfy the issue price thereof by transferring to IBI Group its interest in the Fund Units which are being held by the General Partner as escrow agent pursuant to Subsection 2.5(c). The IBI Group will issue to IBI LP a certificate for the Class A Units issued to IBI LP and will enter IBI LP in the IBI Group's register of partners in respect of the Class A Units issued to IBI LP;

(f) the General Partner will then effect the exchange by causing IBI Group to purchase for cancellation the Exchangeable Partnership Units being exchanged in exchange for the Fund Units issued pursuant to Section 2.5(b), cancelling such Exchangeable Partnership Units being exchanged, and transferring to the Exchangeable Unitholder that number of Fund Units to be received on the exchange as consideration for the purchase for cancellation of the Exchangeable Partnership Units;

(g) upon the surrender of any certificate for Exchangeable Partnership Units in respect of which not all of the Exchangeable Partnership Units represented thereby are to be exchanged at that time, the holder thereof will be entitled to receive from the Management Partnership forthwith, without expense to such holder, a new certificate representing the Exchangeable Partnership Units not being exchanged at that time; and

(h) the number of related Non-Participating Voting Units held by the Exchangeable Unitholder exercising the Exchange Right, equivalent to the number of Exchangeable Partnership Units being exchanged, shall be redeemed in accordance with Section 6.7 of the Declaration of Trust without payment of any consideration therefor.

For so long as Fund Units are held in the Book-Entry Only System administered by the Canadian Depository for Securities Limited, no certificates for Fund Units will be issued pursuant to the exercise of the Exchange Rights and the Fund Units issuable on such exercise will be registered in the name of the Canadian Depository for Securities Limited or its nominee and registered on the books of the Canadian Depository for Securities Limited for the benefit of the Exchangeable Unitholder exercising the Exchange Rights through a participant in the Canadian Depository for Securities Limited selected by such Exchangeable Unitholder.

2.6 Economic Equivalence

The Fund will not, without the prior approval of Exchangeable Unitholders holding a majority of the Exchangeable Partnership Units, acting reasonably:

(a) issue or distribute Fund Units (or securities exchangeable for or convertible into or carrying rights to acquire Fund Units) to the holders of all or substantially all of the then outstanding Fund Units by way of distribution (other than the issue of Fund Units to the holders of Fund Units as a distribution in lieu of a cash distribution pursuant to Section 5.7 of the Declaration of Trust as such section exists on the date hereof);

(b) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Fund Units (or securities exchangeable for or convertible into or carrying rights to acquire Fund Units); or

(c) issue or distribute to the holders of all or substantially all of the then outstanding Fund Units (i) evidences of indebtedness of the Fund or (ii) assets of the Fund except in accordance with the redemption provisions of the Fund Units according to their terms as at the date hereof,

unless the economic equivalent of such rights, options, securities, evidences of indebtedness or other assets is issued or distributed simultaneously to the Exchangeable Unitholders.

2.7 Validity of Fund Units

The Fund hereby represents, warrants and covenants that any Fund Unit issuable as described herein will be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of all liens, claims, adverse claims and encumbrances.

2.8 Reservation of Fund Units

The Fund hereby represents and warrants in favour of the Exchangeable Unitholders that the Fund has reserved for issuance and will, at all times that this Agreement remains outstanding, keep available, free from pre-emptive or other rights, such number of Fund Units as are issuable on exercise of the Exchange Rights.

2.9 Reservation of Holding Trust Units and Series 1 Notes

The Holding Trust hereby represents and warrants in favour of the Exchangeable Unitholders and the Fund that the Holding Trust has reserved for issuance and will, at all times that this Agreement remains outstanding, keep available, free from pre-emptive or other rights granted by the Holding Trust, such number of Holding Trust Units and Series 1 Notes as are issuable on exercise of the Exchange Rights.

2.10 **Reservation of Class A Units**

IBI Group hereby represents and warrants in favour of the Exchangeable Unitholders and IBI LP that IBI Group has reserved for issuance and will, at all times that this Agreement remains outstanding, keep available, free from pre-emptive or other rights granted by IBI Group, such number of Class A Units as are issuable on exercise of the Exchange Rights.

2.11 **Qualification of Trust Units**

The Fund covenants that if any Fund Units to be issued and delivered pursuant to the Exchange Rights require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian provincial or other Canadian law or regulation or pursuant to the rules and regulations of any Canadian securities or other regulatory authority or the fulfilment of any other Canadian or provincial legal requirement before such Fund Units may be issued and delivered by the Fund to the initial holder thereof (other than any restrictions of general application on transfers of securities by reason of a holder being a "control person" for purposes of Canadian or other Canadian provincial securities laws or restrictions arising because of any action or thing deemed undertaken by the holder of the Exchange Right) or in order that such Fund Units will be listed and posted for trading on any stock exchange or other market on which the Fund Units trade, the Fund, in good faith, will expeditiously take all such actions and do all such things as are necessary or desirable to cause all Fund Units to be delivered hereunder and to comply with any such requirements.

2.12 **Fund Successor**

(a) Subject to Subsection 2.12(c), the Fund will not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing person resulting therefrom unless:

(i) such other person (the "**Fund Successor**"), by operation of law, becomes bound by the terms and provisions of this Agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by the Fund Successor of liability for all amounts payable and property deliverable hereunder and the covenant of such Fund Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of the Fund under this Agreement; and

(ii) such transaction shall be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other Parties hereunder or of the holders of Exchangeable Partnership Units.

(b) Whenever the conditions of Subsection 2.12(a) have been duly observed and performed, if required by Subsection 2.12(a), the Fund Successor and the other Parties hereto will execute and deliver the supplemental agreement provided for herein and thereupon the Fund Successor will possess and from time to time may exercise each and every right and power and will be subject to each and every obligation of the Fund under this Agreement in the name of the Fund or otherwise and any act or proceeding under any provision of this Agreement required to be done or performed by the Fund or any officer of the Fund may be done and performed with like force and effect by the directors or officers of such Fund Successor.

(c) Nothing herein will be construed as preventing the merger or similar transaction of any wholly-owned direct or indirect subsidiary entity of the Fund with or into the Fund or the winding-up, liquidation or dissolution of any wholly-owned subsidiary entity of the Fund provided that all of the assets of such subsidiary entity are transferred to the Fund or another wholly-owned direct or indirect subsidiary entity of the Fund.

2.13 **IBI Group US**

In connection with the exchange of Exchangeable Partnership Units for Fund Units by an Exchangeable Unitholder (other than any exchange of less than 0.5% of the Exchangeable Partnership Units held by the Exchangeable Unitholder at that time), such Exchangeable Unitholder shall have the right, at its option, to direct IBI Group to directly or indirectly effect the transfer of all or a portion of IBI Group's direct partnership interest in IBI Group US to US Subco in consideration for debt and/or shares of US Subco. To the extent that the consideration for such transfer includes shares of US Subco, IBI Group shall transfer such shares of US Subco to Ontario Subco in consideration for shares of Ontario Subco. The parties hereto further agree that they will take all necessary steps, including the filing of any tax elections, to effect the transfer on a tax-deferred basis to the extent possible, provided that the transfer shall not result in any adverse tax consequences to the holder of Class A Units.

ARTICLE 3
AMENDMENTS

3.1 **Amendments, Modifications, etc.**

This Agreement may not be amended or modified, or any provision hereof waived, except by an agreement in writing executed by all the Parties.

ARTICLE 4
TERMINATION

4.1 **Term**

This Agreement will continue until no outstanding Exchangeable Partnership Units which have not been exchanged hereunder are outstanding.

ARTICLE 5
GENERAL

5.1 **Severability**

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party. Upon any determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties to this Agreement will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are fulfilled to the fullest extent possible.

5.2 **Enurement**

This Agreement will be binding upon and enure to the benefit of the Parties to this Agreement and their respective successors and permitted assigns from time to time.

5.3 **Assignment**

The rights of Exchangeable Unitholders hereunder shall be automatically assigned to any transferee of Exchangeable Partnership Units as if it were an original signatory hereto. This agreement may not be assigned by the other Parties hereto.

5.4 **Execution of Supplemental Agreements**

From time to time, the Parties may, subject to the provisions of these presents, and they will, when so directed by these presents, execute and deliver by their proper officers, agreements or other instruments supplemental hereto, which thereafter will form part hereof, for any one or more of the following purposes:

(a) evidencing the succession of the Fund Successors and the covenants of the obligations assumed by each such Fund Successor in accordance with the provisions of Section 2.12;

(b) making any additions to, deletions from or alterations of the provisions of this Agreement to incorporate, reflect or comply with any legislation the provisions of which apply to any of the Parties or this Agreement and which, in the opinion of the Fund, will not be prejudicial to the interests of the holders of Exchangeable Partnership Units to the Fund; and

(c) for any other purposes not inconsistent with the provisions of this Agreement, including to make or evidence any amendment to this Agreement as contemplated hereby, provided that, in the opinion of the Fund (which, of this purpose, may rely on the advice of counsel), the interests of the holders of Exchangeable Partnership Units or the Fund will not be prejudiced thereby.

5.5 **Notices**

All notices and other communications under this agreement will be in writing and will be deemed to have been given if delivered personally or by confirmed telecopy to the Parties at the following addresses (or at any other address for the Party as is specified in like notice):

(a) if to the Fund:

IBI Income Fund
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: Trustees
Fax No.: (416) 596-0644

(b) if to the Holding Trust:

IBI Holding Trust
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: Trustees
Fax No.(416) 596-0644

with a copy to the Fund (at the address above)

(c) if to IBI LP:

IBI Group L.P.
c/o IBI GP Limited
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: President
Fax No.(416) 596-0644

(d) if to IBI Group:

IBI Group
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: Chairman Director
Fax No.(416) 596-0644

(e) if to the Management Partnership:

IBI Group Management Partnership
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: Chairman Director
Fax No.(416) 596-0644

(f) if to the General Partner:

IBI General Partner Trust
c/o IBI GP Limited
230 Richmond Street West
5th Floor
Toronto ON M5V 1V6

Attention: President
Fax No.: (416) 596-0644

Any notice or other communication given personally will be deemed to have been given and received upon delivery and if given by telecopy will be deemed to have been given and received on the date of receipt unless that day is not a Business Day in which case it will be deemed to have been given and received upon the immediately following Business Day.

5.6 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or faxed form and the Parties adopt any signatures received by a receiving fax machine as original signatures of the Parties; provided, however, that any Party providing its signature in such manner shall promptly forward to the other Parties an original of the signed copy of this Agreement which was so faxed.

5.7 **Governing Law**

This Agreement will be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

5.8 **Attornment**

Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Ontario, waives any objection which it may have now or later to the venue of that action or proceeding, irrevocably submits to the jurisdiction of those courts in that action or proceeding, agrees to be bound by any judgement of those courts and agrees not to seek, and hereby waives, any review of the merits of any judgement by the court of any other jurisdiction and hereby appoints the Fund at its principal office in the Province of Ontario as attorney for service of process.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the Parties hereto have caused this agreement to be duly executed as of the date first written above.

IBI INCOME FUND

Per: "Philip H. Beinhaker"
Name: Philip H. Beihaker
Title: Trustee

Per: "Scott E. Stewart"
Name: Scott E. Stewart
Title: Trustee

IBI HOLDING TRUST

Per: "Philip H. Beinhaker"
Name: Philip H. Beinhaker
Title: Trustee

Per: "Scott E. Stewart"
Name: Scott E. Stewart
Title: Trustee

IBI GROUP L.P., by its general partner, IBI GENERAL PARTNER TRUST, by its trustee, IBI GP LIMITED

Per: "Philip H. Beinhaker"
Name: Philip H. Beinhaker
Title: President

IBI GROUP, by one of its partners, IBI GROUP L.P., by its general partner, IBI GENERAL PARTNER TRUST, by its trustee, IBI GP LIMITED

Per: "Philip H. Beinhaker"
Name: Philip H. Beinhaker
Title: President

IBI GROUP MANAGEMENT PARTNERSHIP, by one of its general partners, BEINHAKER DESIGN SERVICES LTD.

Per: "Philip H. Beinhaker"
Name: Philip H. Beinhaker
Title: President

IBI GENERAL PARTNER TRUST, by its trustee, IBI GP LIMITED

Per: "Philip H. Beinhaker"
Name: Philip H. Beinhaker
Title: President

SCHEDULE "A"

EXCHANGE NOTICE

TO: IBI GENERAL PARTNER TRUST

This notice is given pursuant to Article 2 of the exchange agreement (the "**Exchange Agreement**") made as of the 31st day of August, 2004 among IBI Income Fund (the "**Fund**"), IBI Holding Trust (the "**Holding Trust**"), IBI Group L.P. ("**IBI LP**""), IBI Group ("**IBI Group**"), IBI Group (the "**Management Partnership**"), IBI General Partner Trust (the "**General Partner** and other holders from time to time of Exchangeable Partnership Units. All capitalized words and expressions used in this Exchange Notice that are defined in the Exchange Agreement have the meanings ascribed to such words and expressions in the Exchange Agreement.

The undersigned hereby notifies the General Partner that the undersigned hereby exercises its right to have exchanged, in accordance with Article 2 of the Exchange Agreement:

__________ Class B Units (the "**Exchanged Units**") for __________ Fund Units on ________________, ___________ (the "**Exchange Date**").

NOTE: The Exchange Date must be a Business Day and must not be less than 3 Business Days nor more than 10 Business Days after the Notice Date upon which this Exchange Notice is given to the General Partner. If no such Business Day is specified above, the Exchange Date shall be deemed to be the third Business Day after the date on which this Exchange Notice is received by the General Partner.

This notice is and shall be deemed to be a revocable offer by the undersigned to transfer the Exchanged Units to IBI Group in accordance with the Exchange Agreement. This Exchange Notice, and this offer to exchange the Exchanged Units, may be revoked and withdrawn by the undersigned by notice in writing given to the General Partner at any time before the close of business on the Business Day immediately preceding the Exchange Date.

The undersigned hereby represents and warrants to IBI Group that the undersigned has good title to, and owns, the Exchanged Units represented by enclosed certificate to be exchanged, free and clear of all liens, claims, adverse claims or encumbrances.

____________	____________________________	____________________________
(Date)	(Signature of Unitholder)	(Guarantee of Signature)

NOTE: This Exchange Notice must be completed and this Exchange Notice together with the certificates for the Exchanged Units must be deposited with the General Partner. The Fund Units resulting from the exchange of the Exchanged Units will be issued and registered in the name of the undersigned as it appears on the register of IBI Group and the Fund Units issuable on such exchange will be delivered to the undersigned as indicated above, unless the form appearing immediately below is duly completed.

Date: ________________________ , ___________

Name of Person in Whose Name Securities[1]
are to be Registered, Issued or
Delivered (please print): ____

Street Address or P.O. Box: ____

Signature of Unitholder: ____

City, Province and Postal Code: ____

Signature Guaranteed by: ____

NOTE: If this Exchange Notice is for less than all of the Exchangeable Partnership Units represented by the certificates accompanying this Exchange Notice, certificates representing the remaining Exchangeable Partnership Units represented by such certificates will be issued and registered in the name of the undersigned above as it appears on the register of the Partnership, unless the foregoing is duly completed in respect of such Exchangeable Partnership Units.

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[1] For so long as Fund Units are held in the Book-Entry Only System administered by the Canadian Depository for Securities Limited, the following additional information shall be provided and the Fund Units will be registered in the name of the Canadian Depository for Securities Limited or its nominee:

Name of CDS participant through which
Trust Units will be held: ______________________________
FINS Number of CDS participant: ______________________
Name and telephone number of
Registered Representative at CDS participant: _____________